

**HIGHLINE SCHOOL DISTRICT No. 401**  
**King County, Washington**  
**September 1, 1992 Through August 31, 1993**

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**Schedule Of Findings**

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1. District Officials Should Strengthen Associated Student Body (ASB) Internal Control Procedures

During our audit of ASB operations, we noted the following two instances in which funds were discovered missing because adequate internal control procedures were not in place.

School officials at Evergreen High School contacted the Highline School District Security Department in May 1993 and reported that the school's student store had been operating all school year and not making a profit. Subsequent research by district security and district management concluded that approximately \$13,023 in cash and inventory had been lost during the school year. Two student store managers admitted to misappropriating approximately \$1,150, although neither individual knew for certain how much had been taken. No responsibility could be fixed for the remainder of the loss. A number of internal control deficiencies were noted which allowed this loss to occur:

- a. Daily deposits were not always made. In some instances deposits were added together for several days.
- b. Inadequate ASB advisor supervision of the student store and the managers.
- c. No weekly or monthly inventories were conducted.
- d. The cash register was not properly used. Sequentially numbered cash register tapes were not accounted for, appropriate forms were not used for the support and supervisory approval of all voided transactions, the inventory keys were not routinely pressed for each purchase, and some sales were not entered.
- e. No routine review of profitability was prepared.
- f. A club that purchased candy at cost plus 10 percent to sell at athletic events was not billed. In addition, there was no documentation to show the sale of merchandise or receipt of funds.
- g. Access to the inventory and the student store during nonbusiness hours was not limited. The locks were keyed so the janitors could enter and clean at night. Selected store workers were allowed to enter the store alone after hours to purchase candy (money was kept in the till during the day).
- h. No process was in place to account for spoilage, returned items, or pizzas that were given the store employees as rewards.
- i. There was not adequate supervisory control of the control keys on the cash register. The same individual operating the cash register balanced the tapes and

cash drawer.

School officials at Mt. Rainier High School reported to the district security department in February 1994 that approximately \$520 in receipts collected from two dances, held on October 16, 1993, and February 3, 1994, was missing. Review of the security case report revealed the following internal control deficiencies which allowed this loss to occur:

- a. Money was not deposited daily. Money collected during the week of the ticket sales was held and not reconciled or turned in until after the dances.
- b. Prenumbered tickets were not used for one of the dances, and for both dances, tickets issued to sellers were not strictly controlled. There was no daily reconciliation of sales.
- c. There was inadequate adult supervision of the activity.
- d. An unlocked money box was left unattended for several hours.

Based upon our audit work, it appears the internal control deficiencies occurred because of the following:

- The student store advisor at Evergreen High School was not trained in the area of retail marketing and was unaware of the control deficiencies.
- School officials either did not understand or were not adequately trained in the procedures necessary to help ensure the proper accounting for and deposit of cash from the dance ticket sales.

When adequate internal control procedures do not exist or when established procedures are not followed, the following situations exist:

- Opportunities for misappropriation, errors, and irregularities could occur and may not be detected in a timely manner.
- Financial information may be recorded inaccurately or omitted from the accounting records.

We recommend district officials strengthen ASB internal control procedures and provide adequate and timely training to principals, school staff, and ASB secretaries.

We further recommend district officials report these losses to their bonding company and seek recovery.